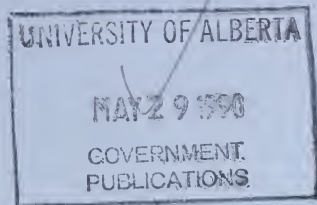


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**public
accounts
1988-89**

**volume 3 — summary
financial
statements**

Manitoba
Finance



for the year ended March 31, 1989

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INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 1989 consists of three volumes:

VOLUME 1 contains the Financial Statements of the Consolidated Fund of the Province and schedules of supporting information.

VOLUME 2 is a supplementary volume which contains further details of the expenditures by standard expenditure object codes. It also provides details of the salaries and wages paid to employees as well as payments to corporations, firms, individuals, other governments and government agencies.

VOLUME 3 contains the Summary Financial Statements of the Province. This is the second year that these statements are presented in this form. The long range intent of these statements is that they will reflect the consolidation of the operations of organizations integral to the overall operations of Government in performing its executive function. At this time however, only the operations of certain special funds, crown organizations and Government enterprises, as listed below, are combined with those of the Operating Fund. The Department of Finance is working to reflect the financial operations of the other organizations in future Summary Financial Statements.

Special Funds:

- Fires Prevention Fund
- Fiscal Stabilization Fund
- Holdback Accounts - Builders Liens and Contractual
- Manitoba Lotteries Foundation-Amateur Sport
 - Community Places
 - Culture, Heritage and Recreation
 - Fitness Development
 - Planning and Research
- Mining Community Reserve
- Victims Assistance Fund

Crown Organizations:

- Alcoholism Foundation of Manitoba
- Legal Aid Services Society of Manitoba
- Manitoba Health Services Commission
- Manitoba Housing and Renewal Corporation
- Manitoba Properties Inc.
 - Manitoba Properties Leasing Inc.(subsidiary)
 - Manitoba Properties Management Inc.(subsidiary)
- Public Schools Finance Board
- Universities Grants Commission

Government Enterprises:

- Manitoba Telephone System

INTRODUCTION TO THE SUMMARY FINANCIAL STATEMENTS

The Summary Financial Statements of the Government of the Province of Manitoba were produced separately as Volume 3 of the Public Accounts for the first time in relation to the fiscal year ended March 31, 1988. The financial position and operating results of the Province's Operating Fund were combined with those of Manitoba Properties Inc. and its related holding companies, Manitoba Properties Management Inc. and Manitoba Properties Leasing Inc. This was the first step in the implementation of the recommendations of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants with respect to the Government Reporting Entity. This recommendation requires that


"Government financial statements should consolidate the financial statements of organizations comprising the government reporting entity, except for government enterprises, which should be accounted for by the modified equity method".

The full implementation of this recommendation is a major undertaking. Full consolidation will be phased in over a 4-year period culminating with Volume 3 of the Public Accounts for 1990-91.

For 1988-89, Volume 3 is intended to demonstrate the purpose and meaning of Manitoba's evolving Summary Financial Statements by including entities that are representative of the larger, more global financial reporting entity.

The financial operations of other provincial Crown corporations, agencies, boards and commissions, while not consolidated, are reflected in the Summary Financial Statements to the extent described under "The Reporting Entity" in the notes to the financial statements. The Department of Finance is working to reflect the financial operations of these other organizations in future Summary Financial Statements in accordance with the recommendations of the Public Sector Accounting and Auditing Committee. A list of these organizations is disclosed in Schedule I.

Minister of Finance
March, 1990



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Manitoba

REPORT OF THE PROVINCIAL AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS OF THE GOVERNMENT OF THE PROVINCE OF MANITOBA

I report that the summary financial statements of the Government of the Province of Manitoba, being the consolidated statement of financial position as at March 31, 1989 and the consolidated statements of revenue and expenditure and changes in financial position for the year then ended and schedules I to VI have been examined under my direction. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these summary financial statements present information in accordance with the Government's stated accounting policies as set out in Note 1 to the summary financial statements, applied on a basis consistent with that of the preceding year. However, in our opinion, because the Government's reporting entity accounting policy has only been partially implemented, as outlined in the following Reservation and in the notes to the summary financial statements, these summary financial statements do not present fairly the financial position of the government reporting entity as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended.

Reservation: Incomplete accounting of the financial affairs and resources for which the Government is responsible.

The Government has adopted and has begun to implement the recommendations of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants (PSAAC) pertaining to summary financial statements for the government reporting entity. The Government is working towards full implementation of PSAAC's recommendations commencing with the fiscal year ending March 31, 1991. The summary financial statements for the year ended March 31, 1989 have been prepared to demonstrate the concepts and structure contemplated by PSAAC and do not include all special funds, Crown organizations and other government enterprises which comprise the government reporting entity.

The result is that the Government's summary financial statements do not provide a comprehensive and complete accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible. An estimate of the effects on the March 31, 1989 financial position, operating results and changes in financial position had all Government organizations been included in the summary financial statements is not available.

March 30, 1990
Winnipeg, Manitoba

F. H. Jackson, CA
Provincial Auditor

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity and objectivity of the Summary Financial Statements rests with the Government. They are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government Reporting Entity and include a statement of financial position, a statement of revenue and expenditure, a statement of changes in financial position, notes and schedules integral to the statements. Together, to the extent of the consolidation of funds and organizations disclosed under "The Reporting Entity" in Schedule I, they present fairly, in all material respects, the financial condition of the Government Reporting Entity at the fiscal period-end and the results of operations for the year then ended.

On behalf of the Government

A handwritten signature in cursive script that reads "Clayton Manness".

Honourable Clayton Manness
Minister of Finance
March, 1990

GOVERNMENT OF THE PROVINCE OF MANITOBA
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 1989
 (with comparative figures for 1988)

(\$millions)

SCHEDULE NO.	ASSETS	NOTE NO.	1989	1988
	Cash and equivalents		1,342	810
II	Amounts receivable		266	252
	Loans and advances	3	3,911	3,410
III	Equity in Government enterprises	4	87	72
	Other long-term investments	5	23	28
	TOTAL ASSETS		5,629	4,572
	LIABILITIES			
	Amount owing to the Trust Fund	6	798	685
IV	Accounts payable, accrued charges, deferred revenue and deferred taxes		527	488
VI	Borrowings	7	9,114	8,406
	Provision for foreign currency fluctuation on Manitoba Hydro Debt	8	286	153
	TOTAL LIABILITIES		10,725	9,732
	EXCESS OF LIABILITIES OVER ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE			
	Excess of liabilities over assets:			
	Beginning of year			4,052
	Consolidation adjustments			412
	Beginning of year on a consolidated basis		5,012	4,464
	Prior year adjustments		-	226
	Consolidated Net (Income) Expenditure		(49)	322
	End of year		4,963	5,012
	Serial debentures of school divisions and districts	9	133	148
	TOTAL EXCESS OF LIABILITIES OVER ASSETS AND SIMILAR ITEMS		5,096	5,160

Information concerning the Government's guaranteed and indirect liabilities, financial commitments and contingent liabilities can be found in notes 10, 12 and 13.

Trust Fund assets and liabilities at March 31, 1989 were \$1,478 million (1988-\$1,279 million). Further details are displayed in note 6.

**GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1989
(with comparative figures for 1988)**

(\$millions)

	1989	1988
REVENUE		
Tax Revenue:		
Corporation income tax	201	167
Individual income tax	1,030	989
Retail sales tax	595	567
Fuel taxes	187	191
Liquor commission	150	152
Levy for health and education	199	187
Other taxes	426	286
Federal transfers:		
Equalization	863	620
Health and higher education	426	434
Shared cost and other	314	292
Fees and other revenue	500	486
TOTAL REVENUE	4,891	4,371
EXPENDITURE		
Health and community services	2,038	1,908
Education	1,010	957
Economic and resource development	579	537
Manitoba tax credit plans	236	210
Direct local government assistance	120	104
Public debt	481	532
Hydro rates stabilization	44	53
Consumer services, public protection and other government services	349	319
Extraordinary Expenditure	-	75
TOTAL EXPENDITURE	4,857	4,695
NET INCOME (EXPENDITURE)	34	(324)
Increase in equity in government enterprises	15	2
CONSOLIDATED NET INCOME (EXPENDITURE)	49	(322)

GOVERNMENT OF THE PROVINCE OF MANITOBA
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED MARCH 31, 1989
 (with comparative figures for 1988)

(\$millions)	1989	1988
Cash and equivalents, beginning of year	810	597
Operating transactions:		
Net income(expenditure) for the year	49	(322)
Prior period adjustments related to:		
Restatement to accounting policy	-	1
Liability for crown corporation losses and expenditure	-	(13)
Accrued interest	-	(17)
Non-cash items:		
Decrease(increase) in amounts receivable	(14)	(45)
Write off of loans advances and long-term investments	8	11
Increase in valuation allowance	7	10
Increase(decrease) in accounts payable, accrued charges, deferred revenue and deferred taxes	39	15
Amortized foreign currency fluctuation	116	150
Amortized debt discount	8	8
Increase in Equity in Government Enterprises	(15)	(2)
Cash and equivalents required for operations	198	(204)
Investing transactions:		
Acquired/made	(690)	(878)
Redeemed/realized	317	296
Cash and equivalents required for investing	(373)	(582)
Financing transactions:		
Debt issues: foreign	1,110	1,068
domestic	541	563
Debt redeemed: foreign	(686)	(323)
domestic	(162)	(273)
Provision for foreign currency losses	-	(12)
Increase in sinking funds	(209)	(242)
Change in trust fund	113	218
Cash and equivalents obtained from financing	707	999
Change in cash and equivalents during the year	532	213
Cash and equivalents, end of year	1,342	810

SCHEDULE I

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT FUNDS, ORGANIZATIONS AND ENTERPRISES
COMPRISING THE GOVERNMENT FINANCIAL REPORTING ENTITY

SPECIAL FUNDS

- * Fires Prevention Fund
- * Fiscal Stabilization Fund
- * Holdback Accounts - Builders Liens and Contractual Land Titles Assurance Fund
- Man. Lotteries Foundation :
 - * - Amateur Sport
 - * - Community Places
 - * - Culture, Heritage and Recreation
 - * - Fitness Development
 - Intercultural
 - * - Planning and Research
- * Mining Community Reserve
- Veterinary Science Scholarship Fund
- * Victims Assistance Fund

CORPORATIONS & AGENCIES

- * Alcoholism Foundation of Manitoba
- A.R.M. Industries Inc.
- Brandon University
 - Brandon University Holding Co.(subsidiary)
- Centre Culturel Franco-Manitobain
- Communities Economic Development Fund
- Cooperative Loans & Loan Guarantee Board
- Cooperative Promotion Board
- Credit Union Stabilization Fund
- Criminal Injuries Compensation Board
- Deer Lodge Centre Inc.
- Embalmers & Funeral Directors Act - Board of Administration
- Fonds de Securite
- Hazardous Waste Management Corporation
- Horse Racing Commission
- * Legal Aid Services Society
- Manitoba Agricultural Credit Corporation
- Manitoba Arts Council
- Manitoba Beef Commission
- Manitoba Boxing and Wrestling Commission
- Manitoba Cancer Treatment and Research Foundation
- Manitoba Centennial Centre Corporation
- Manitoba Crop Insurance Corporation
- Manitoba Data Services
- Manitoba Development Corporation
- Manitoba Energy Authority
- Manitoba Habitat Heritage Corporation
- Manitoba Health Research Council
- * Manitoba Health Services Commission
- Manitoba Hospital Capital Financing Authority
- * Manitoba Housing and Renewal Corporation

SCHEDULE I
(cont'd)

Manitoba Lotteries Foundation
* Manitoba Properties Inc.
* Manitoba Properties Leasing Inc.(subsidiary)
* Manitoba Properties Management Inc.(subsidiary)
Manitoba Research Council
Manitoba Textbook Bureau
Milk Prices Review Commission
* Public Schools Finance Board
Public Trustee of Manitoba
Rehabilitation Centre for Children
* Universities Grants Commission
University of Manitoba
 University of Manitoba Holding Co.(subs)
 University of Manitoba Research Inc.(subs)
Westarc Group

GOVERNMENT ENTERPRISES

A. E. McKenzie Co. Ltd.
Channel Area Loggers
Leaf Rapids Town Properties
Liquor Control Commission
Manitoba Hydro
Manitoba Mineral Resources
Manitoba Public Insurance Corporation
* Manitoba Telephone System
Manitoba Trading Corporation
Manitoba Water Services Board
Moose Lake Loggers
Venture Manitoba Tours
Workers Compensation Board

- NOTES: 1. Funds, corporations, agencies and enterprises denoted by asterisks (*) are those whose financial results are reflected in the 1988-89 Summary Financial Statements.
2. The operations of the following are reflected through appropriations of the Operating Fund and are not considered to be financially separate organizations:
- Film Classification Board
 - Human Resource Opportunity Centres
 - Manitoba Adolescent Treatment Centre
 - Student Aid Appeal Board
 - Veterinary Medical Board

GOVERNMENT OF THE PROVINCE OF MANITOBA
AMOUNTS RECEIVABLE
AS AT MARCH 31, 1989
(with comparative figures for 1988)

SCHEDULE II

(\$millions)

	1989	1988
TAX REVENUE:		
Retail sales tax	48	47
Motive fuel tax	6	7
Gasoline tax	10	9
Tobacco tax	8	7
Revenue Act, 1964	5	4
	77	74
 INTEREST INCOME:		
Province of Manitoba sinking fund	31	25
Other investments	23	11
	54	36
 GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Shared cost programs	52	68
Canada Mortgage and Housing Corporation	15	10
Municipal corporations	65	63
	132	141
 OTHER INCOME:		
Manitoba Lotteries Foundation	3	-
Manitoba Agricultural Credit Corporation	-	1
	3	1
	266	252

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT ENTERPRISES SCHEDULE III
SUMMARY OF OPERATING RESULTS AND FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1988
(with comparative figures for nine months ended December 31, 1987)

(\$millions)

	1988	1987
RESULTS OF OPERATIONS		
Revenues:		
From operations	455	310
Other	19	14
Total revenues	474	324
Expenses:		
From operations	381	257
Debt charges	78	65
Total expenses	459	322
Net income (loss) for the year	15	2
FINANCIAL POSITION		
Assets		
Cash and temporary investments	46	42
Accounts receivable	61	61
Long-term investments	101	66
Fixed assets	815	776
Other assets	12	40
Total assets	1,035	985
Liabilities		
Accounts payable and accrued liabilities	119	85
Long-term debt		
-owing to government	519	552
-owing to others	193	195
Deferred liabilities	117	81
Total liabilities	948	913
Equity in Government enterprises	87	72

GOVERNMENT OF THE PROVINCE OF MANITOBA
 ACCOUNTS PAYABLE, ACCRUED CHARGES, SCHEDULE IV
 DEFERRED REVENUE AND DEFERRED TAXES
 AS AT MARCH 31, 1989
 (with comparative figures for 1988)

(\$millions)

	1989	1988
Accounts payable	239	167
Accrued charges:		
Interest accrued on borrowings and trust funds	198	189
Other accrued liabilities:		
Manitoba Public Insurance Corporation	32	59
Criminal Injuries Compensation Board	17	15
Manitoba Milk Producers Marketing Board	2	-
Workers Compensation Board	-	16
Manitoba Development Corporation	-	6
Other	2	1
Deferred revenue	7	11
Deferred income taxes	30	24
	527	488

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED NET INCOME(EXPENDITURE) BY CATEGORY
FOR THE YEAR ENDED MARCH 31, 1989
(with comparative figures for 1988)

(\$millions)

	OPERATING FUND	SPECIAL FUNDS	CROWN ORGANIZATIONS	ELIMI- NATIONS	TOTAL 1989	1988
REVENUE						
Tax Revenue:						
Corporation income tax	201	-	-	-	201	167
Individual income tax	1,030	-	-	-	1,030	989
Retail sales tax	595	-	-	-	595	567
Fuel taxes	187	-	-	-	187	191
Liquor commission	150	-	-	-	150	152
Levy for health and education	199	-	-	-	199	187
Other taxes	421	5	-	-	426	286
Federal transfers:						
Equalization	863	-	-	-	863	620
Health and higher education	426	-	-	-	426	434
Shared cost and other	279	-	35	-	314	292
Fees and other revenue	192	33	2,348	(2,073)	500	486
Transfer to Fiscal Stabilization Fund	(200)	200	-	-	-	-
TOTAL REVENUE	4,343	238	2,383	(2,073)	4,891	4,371
EXPENDITURE						
Health and community services	1,938	8	1,451	(1,359)	2,038	1,908
Education	808	-	816	(614)	1,010	957
Economic and resource development	555	24	-	-	579	537
Manitoba tax credit plans	236	-	-	-	236	210
Direct local government assistance	120	-	-	-	120	104
Public debt	375	-	136	(30)	481	532
Hydro rates stabilization	44	-	-	-	44	53
Consumer services, public protection and other government services	409	2	21	(83)	349	319
Extraordinary Expenditure	-	-	-	-	-	75
TOTAL EXPENDITURE	4,485	34	2,424	(2,086)	4,857	4,695
NET INCOME(EXPENDITURE)	(142)	204	(41)	13	34	(324)
Increase in equity in Government enterprises					15	2
CONSOLIDATED NET INCOME(EXPENDITURE)					49	(322)

Note:

Included in eliminations are valuation allowances which had been provided in the Operating Fund for certain Crown organizations consolidated herein.

GOVERNMENT OF THE PROVINCE OF MANITOBA
STATEMENT OF BORROWINGS
AS AT MARCH 31, 1989
(with comparative figures for 1988)

SCHEDULE VI

(\$millions)

	-----1989-----					1988
	Gross Borrow- ings	Sinking Funds	Invest- ment Offsets	Unamort- ized amounts	Adjust's and Elimin's	Net Borrow- ings
Operating fund	10,349	(1,502)	(198)	(155)	388	8,882
						8,171
Crown Organizations:						
-Man.Housing and Renewal Corp.	232	(11)	-	-	11	232
-Man.Properties Inc.	399	-	-	-	(399)	-
						235
						-
TOTALS	10,980	(1,513)	(198)	(155)	-	9,114
						8,406

**GOVERNMENT OF THE PROVINCE OF MANITOBA
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic accounting policies which have been applied in the preparation of the Summary Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba.

A. THE REPORTING ENTITY

The financial transactions of the Government are recorded in "The Consolidated Fund". The audited financial statements of the Consolidated Fund are published in Volume 1 of the Public Accounts. The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Separate financial statements are prepared for the "Trust Fund" which report the activities in the various categories of trust money administered by the Government.

In order to be considered a part of the Government's reporting entity, an organization must be accountable, for the administration of their financial affairs and resources, to a minister of the Government or directly to the legislature and must be owned and/or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital. For 1988-89, those Government funds and organizations delineated by asterisks in Schedule I have been consolidated with the Operating Fund for inclusion in the Summary Financial Statements. Other funds and organizations listed in Schedule I, which ultimately comprise the total Government financial reporting entity, will be consolidated in future years.

Health and educational institutions receive most of their financial resources from voted appropriations which are recorded as expenditures. The majority of these, other than those listed in Schedule I, are required to report separately on their stewardship. They are not consolidated in these financial statements.

The financial operations of provincial Crown corporations,

agencies, boards and commissions not herein consolidated are reflected in the Summary Financial Statements only to the extent that:

1. they receive money from or pay money to the Government, or
2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or
3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

B. BASIS OF CONSOLIDATION

The accounts of Special Funds and Crown organizations are consolidated after adjusting them to a basis consistent with the accounting policies of the Reporting Entity. Inter-organization accounts and transactions are eliminated upon consolidation. Where the fiscal year-end of government organizations is not the same as that of the government and their transactions significantly affect the financial statements, they are restated to March 31.

Government enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They are reported by the modified equity method of accounting without adjusting them to a basis consistent with that of the Government. Inter-entity accounts and transactions are not eliminated.

The Manitoba Telephone System (MTS), whose year end is December 31, is the only enterprise included in the Summary Financial Statements for 1988-89. Supplementary financial information describing the financial position and results of operations of MTS is presented in Schedule III.

C. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE

1. Gross Accounting Concept

Revenues and expenditures are recorded in gross amounts with the following exceptions:

- a) The municipal share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expenditure by the Government.
- b) Refunds of revenue are treated as reductions of current

year revenue.

- c) Decreases in valuation allowances previously provided are treated as reductions to expenditure.
- d) Recoveries of the debt servicing costs on self-supporting debt from Crown corporations and Government agencies not consolidated herein are recorded as a reduction of Public Debt expenditure. The same treatment is also given to income earned on investments and advances.

2. Modified Accrual Accounting

The revenues and expenditures of the Government Reporting Entity are recorded on an accrual basis with exceptions noted as follows:

- a) **Income From Canada-Manitoba Fiscal Arrangements** - This income is recorded on a cash basis with three exceptions:
 - i) revenues received in advance of when they are earned are deferred to the appropriate fiscal year;
 - ii) money received in advance, relating to projects for which expenditures are to be made in more than one fiscal year, is deemed to be revenue in each fiscal year in proportion to the related expenditure made in the respective fiscal year; and
 - iii) the accounts are kept open until June 30 to reflect any adjustments regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements.
- b) **Fees and Other Revenue** - Amounts receivable from all levels of government, as well as amounts received in April from agents for provincially collected taxes pertaining to the year just ended, are recorded as revenue receivable. Otherwise, Fees and Other Revenue are recorded on a cash basis.
- c) **Salaries and Wages** - Salaries and wages are recorded as expenditures in the year in which they are paid. No liability or expenditure is recorded for salaries earned but not paid at year end, or for salary related benefits such as vacation earnings.
- d) **Pension** - The annual cost recorded by the Government Reporting Entity is its share of pension paid to retired employees, teachers and members of the Legislative Assembly.

The Government Reporting Entity does not record its

liability for the annual cost of pension benefits earned by its employees, teachers and members of the Legislative Assembly.

- e) **Capital Assets and Inventories** - Expenditures for the acquisition and/or construction of fixed assets and the acquisition of inventories are not considered to differ from any other service to the public and accordingly are treated as an expenditure.

D. BASIS OF ACCOUNTING FOR ASSETS AND LIABILITIES

1. Except for deferred revenue, the assets and liabilities reported in the financial statements are financial claims. The assets are claims by the Government Reporting Entity on other parties and encompass the net equity interest in the operation of consolidated Government enterprises (for 1988-89 - MTS only). The liabilities are claims by other parties on the Government.

Deferred revenue consists of money received from taxation and shared cost agreements which relate to future years, as well as fees from debt transactions to be amortized over the remaining life of the debt. This deferred revenue will be recorded in the appropriate year.

2. Capital assets and inventories do not represent financial claims on others. Therefore they are not reported as assets at fiscal year end.
3. Loans, advances and long-term investments held by the Government Reporting Entity are subject to annual valuation.

A valuation allowance is provided to reflect decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that have occurred in the estimated realizable value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely decreases in the valuation allowance are treated as a reduction of expenditures.

Loans, advances or long-term investments may be written-down in the accounts of the Government, pursuant to authority provided under the Financial Administration Act. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year. Where an investment has been partially written-down to reflect a permanent decline in its realizable value, it is carried at its decreased value. Otherwise it is recorded at cost.

4. Investments included in Cash and Equivalents and the

Province of Manitoba Sinking Fund are recorded at cost adjusted for amortization of investment premium or discount. Any premium or discount incurred at the time of purchase is amortized annually to public debt expense over the life of the investment. The investments included in the remaining Sinking Funds are shown at cost and do not reflect any amortization of investment premium or discount.

Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used.

Expenses and other transaction charges incurred on the purchase of investments during the year are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

The year end investment translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account and are amortized annually to public debt expense over the life of the investment.

5. Borrowings, comprised of bonds, debentures and other long-term debt issued and payable in Canadian currency, are recorded at the par value of the issue. Discounts or premiums, as well as commissions incurred at the time of the issue of the debt, are amortized annually to public debt expense over the life of the debt. The unamortized portion is deducted from the par value of the debt.

Fees received at the time of arranging debt transactions, in respect of options or warrants, are reflected as deferred revenue and amortized annually as a credit to public debt expense over the life of the debt. The unamortized portion is included in Deferred Revenue.

Expenses and other transaction charges, such as legal fees, printing and registration, incurred during the year on the issue of debt are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

Borrowings issued and payable in foreign currencies are recorded at the Canadian dollar equivalent of the par value based on the exchange rate in effect at March 31, unless the rate of exchange or a fixed amount has been negotiated through a currency exchange agreement or other arrangement, in which case that rate or amount is used.

The year end translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account and are amortized annually to public debt expense over the life of the debt issue.

Where an issue of debt in a foreign currency is called for redemption prior to maturity and refinanced with another issue of debt, the Canadian dollar equivalent cost of the original debt is translated at the exchange rate in effect at the date of redemption. The resulting unrecognized foreign currency fluctuation is amortized to public debt expense over the term of the first replacement issue or the remaining term of the original issue whichever is less. However, if the remaining term of the original issue is one year or less, the fluctuation is fully expensed in the year of redemption.

On maturity, any unrecognized foreign exchange gain/loss, being the difference between the recorded par value in Canadian currency and the required payment, is reflected in public debt expense.

Proceeds of debt raised for the purpose of retiring a specific debt issue on a later date and which are invested for a short term are valued in accordance with the accounting policy on Borrowings. Holdings of unmatured provincial debt issues purchased on the market for cancellation are valued in accordance with the policy on investments. Both these investment categories are reflected as reductions to Borrowings.

Sinking Funds are maintained in accordance with legal requirements of the debt instruments and the Financial Administration Act and are reflected as a reduction of Borrowings.

E. GUARANTEED AND INDIRECT LIABILITIES

In addition to having direct debt, the Government acts as a guarantor of securities issued by various other entities. The debt issued by Crown corporations, agencies, boards and commissions and guaranteed by the Government is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund.

Legislation requires the maintenance of Sinking Funds for the retirement of the debt of most Crown corporations, agencies, boards and commissions. These Sinking Funds are held in Trust by the Minister of Finance. The Crown corporation, agency, board or commission to whom the debt applies make annual contributions to the Sinking Fund.

Contingent Liabilities that result from other financial activities of the Government Reporting Entity are reported in the notes to the financial statements.

2. VALUATION ALLOWANCES

A. CROWN CORPORATIONS, AGENCIES, BOARDS AND COMMISSIONS - LOANS, ADVANCES AND LONG-TERM INVESTMENTS

Valuation allowances are provided only for those organizations which have not been consolidated in the Summary Financial Statements, and are determined as follows:

1. Operating Deficits

The valuation allowance is based on the financial results applicable to the most recent fiscal year completed prior to April 1. Where an assessment of the accumulated deficit indicates a prospect for recovery from future operations, the amount of the valuation allowance is adjusted accordingly.

2. Non-Recovery Of Capital Investment

A valuation allowance may be provided where there is reasonable evidence that the Province's investment will not be realized.

If the Government has more than one type of investment in an organization (eg. common shares, preferred shares and debentures), the valuation allowance is assigned against the investments in order of priority on liquidation.

B. Other Loans and Advances

The valuation allowance is used to provide for the estimated amounts not recoverable under a Government loan or support program. The valuation allowance for doubtful accounts that has been established for that loan or support program is recorded by means of a valuation allowance placed against the loan or advance used to fund the program. Increases to the valuation allowance are recorded as an expenditure regardless of the timing of the write-off of the uncollectible accounts, such write-off being applied directly to the valuation allowance.

C. Other Long-Term Investments

The valuation allowance is used to record losses, that are other than temporary declines, in value of the Government's investments in other than Crown corporations, agencies, boards and commissions. The valuation allowance is based on an annual valuation of the investment.

3. LOANS AND ADVANCES

The following amounts include loans and advances to Crown organizations which have not been consolidated in these Summary Financial Statements. The Sinking Funds provided by the entity for repayment of the debt issued by the Province to fund the advances are deducted from the advances.

	Crown Organizations	Other	(\$ millions)	
			1989 Total	1988 Total
Loan/advance	3,883	235	4,118	3,599
Less: Sinking Funds	163	-	163	143
Valuation Allowance	19	25	44	46
Net	3,701	210	3,911	3,410

4. EQUITY IN GOVERNMENT ENTERPRISES

The only Enterprise included for 1988-89 is the Manitoba Telephone System. A summary of the Operating Results and Financial Position are displayed in Schedule III.

5. OTHER LONG-TERM INVESTMENTS

The following amounts include investments in Crown organizations which have not been consolidated in these Summary Financial Statements:

	Crown Organizations	Other	(\$ millions)	
			1989 Total	1988 Total
Shares:				
Common	42	5	47	50
Preferred	109	-	109	109
Debentures	3	-	3	4
Profit Sharing Agreements	-	11	11	11
	154	16	170	174
Valuation Allowance	133	14	147	146
Net	21	2	23	28

6. TRUST FUNDS

Included in the Consolidated Statement of Financial Position is an amount owing to the Trust Fund which primarily represents surplus cash of Crown corporations, agencies, boards and commissions on deposit with the Minister of Finance for investment but not specifically invested. Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest. Also included are Trusts established and maintained by Crown organizations which have been consolidated in these Summary Financial Statements.

The assets and liabilities of the combined Trust Funds as at March 31 are as follows:

	(\$ millions)	
	1989	1988
ASSETS		
Amounts due from Operating Fund	798	685
Cash and Investments	680	594
Total Trust Assets	1,478	1,279
LIABILITIES		
Trust Fund Balances-Consolidated Fund	1,459	1,262
Trust Fund Balances-Crown Organizations	19	17
Total Trust Liabilities	1,478	1,279

In addition, the Trust Funds include cash and securities for which the Government's responsibility is custodial in nature. The amount reported at March 31, 1989 was \$595 million (1988-\$582 million).

7. BORROWINGS

All borrowings are expressed in Canadian dollars. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered into for settlement after the fiscal year end.

The classification of borrowings by purpose is as follows:

	(\$ millions)	
	1989	1988
General Government Programs	6,810	6,540
The Manitoba Hydro Electric Board	2,938	2,745
The Manitoba Telephone System	537	564
Other	695	705
	10,980	10,554
Less:		
Sinking Funds	1,513	1,304
Debt of the Province of Manitoba held as Provincial Investments	198	134
Unamortized Foreign Currency Fluctuation	111	666
Unamortized Debt Issue Costs	44	44
	9,114	8,406

Money is allocated annually to the Province of Manitoba Sinking Fund on the following basis:

- A. a sum equal to 3% of the aggregate amount of general purpose debt, in Canadian dollars converted at the date of issue, outstanding at the end of the preceding fiscal year; and
- B. all earnings derived from investing the Sinking Fund.

In addition, principal repayments of advances by agencies which are funded by the issue of provincial securities are deposited to the Sinking Fund provided that the principal repayments are made prior to the maturity date of such securities.

Included in "Other" is debt totalling \$162 million which has been used to fund loans, advances and investments for which valuation allowances have been established at March 31, 1989 (1988-\$166 million). If write off of these assets occurs, this debt would be considered to be General Government Program debt.

8. PROVISIONS FOR FOREIGN CURRENCY FLUCTUATION ON MANITOBA HYDRO DEBT

The Province issues provincial securities to raise funds for Manitoba Hydro. In addition, the Province guarantees debt which Manitoba Hydro issues in its own name. Until March 31, 1987, pursuant to the Energy Rate Stabilization Act, the Province was responsible for the currency fluctuation on all foreign debt issued for Manitoba Hydro purposes.

The Energy Rate Stabilization Act was amended effective April

1, 1987 making Manitoba Hydro responsible for the fluctuation on all of its foreign currency debt issued on or after that date. Manitoba Hydro was also made responsible for the fluctuation on its U.S. dollar denominated debt issued prior to April 1, 1987, except to the extent already provided by the Province to March 31, 1987. At March 31, 1989, the amortized amount remaining in the Province's Provision account for these U.S. issues is \$153 million. The Province retained responsibility for the fluctuation, in currencies other than U.S. dollars, for both its direct and guaranteed debt for Manitoba Hydro outstanding at March 31, 1987.

Effective April 1, 1989 the Act was further amended to transfer responsibility to Manitoba Hydro for the remaining foreign currency risk associated with the debt issued prior to April 1, 1987. At March 31, 1989, using the foreign exchange rates in effect on that date, the Province adjusted its provision account by \$133 million to cover the total fluctuation in the value of this foreign debt. In order to accomplish this, the Province made an additional charge of \$64 million to its Hydro Rates Stabilization expenditure for 1988-89.

At maturity of any foreign debt issue for Manitoba Hydro purposes, be it U.S. dollar denominated or other foreign currency, the Province is responsible for the lesser of the currency fluctuation on the maturing debt or the amount remaining in the provision account for that particular issue.

The provision account balance of \$286 million at March 31, 1989 represents the limit of the Province's liability for foreign exchange fluctuation on both U.S. dollar denominated debt and other foreign debt for Manitoba Hydro purposes.

9. SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.

The estimates of expenditure provide an annual appropriation in the Consolidated Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the

Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

10. GUARANTEED AND INDIRECT LIABILITIES

The following comprises debt issued by Crown corporations, agencies, boards and commissions not consolidated herein, which is guaranteed by the Government as at March 31:

	(\$ millions)	
	1989	1988
Self-supporting debt	1,604	1,542
Debt serviced in whole or in part from the Consolidated Fund	10	10
	1,614	1,552
Less: Applicable Sinking Funds	277	263
	1,337	1,289

A portion of the foreign currency fluctuation on the guaranteed debt included above has been provided for in the Provision for Foreign Currency Fluctuation on Manitoba Hydro Debt.

11. OTHER ACCRUED LIABILITIES

The Government Reporting Entity has accrued a liability at March 31, 1989 for losses or program expenditures in order to recognize its responsibility to fund these amounts when they become payable:

	(\$ millions)	
	1989	1988
Manitoba Public Insurance Corporation		
- Reinsurance Assumed Losses	32	32
- Personal and Commercial Losses	-	27
Criminal Injuries Compensation Board		
-Unfunded future costs of compensation awards	17	15
Manitoba Milk Producers Marketing Board	2	-
Workers Compensation Board - Reimbursement of interest forfeited on employer assessments	-	16
Manitoba Development Corporation		
-Additional provision for warranty costs related to Flyer Industries Ltd. divestiture	-	6
Other	2	1
	53	97

12. FINANCIAL COMMITMENTS

The Government Reporting Entity has entered into long-term financial arrangements wherein indebtedness has been issued that is not guaranteed by the Government, but the funds required for the payment of principal and interest will be either fully or partially provided from appropriations of the Consolidated Fund. The Government Reporting Entity has also made future commitments against appropriations under long-term contracts that cover the acquisition and/or rental of physical assets. These financial commitments as at March 31 are as follows:

	(\$ millions)	
	1989	1988
LONG-TERM FINANCIAL ARRANGEMENTS:		
Hospitals & Personal Care Homes	429	405
Public Schools	272	252
Manitoba Water Services Board	2	2
Brandon University	3	3
	706	662
FUTURE COMMITMENTS:		
Housing Construction and		
Approved Mortgage Applications	58	89
Acquisition of Physical Assets	84	82
Rental of Physical Assets	103	167
Future Billings on Outstanding Legal		
Aid Certificates	6	6
	251	344
	957	1006

In addition to the approved outstanding debt for Hospitals and Personal Care Homes, lines of credit up to \$72.5 million (1988-\$72.4 million) have been approved to finance capital projects currently in process. On completion of these projects, the borrowing will be converted to long-term debt.

13. CONTINGENCIES

The Government has provided guarantees for the following and accordingly has a contingent liability in the event of default:

	(\$ millions)		
	AMOUNT OUTSTANDING		
	MAXIMUM GUARANTEE	MARCH 31, 1989	MARCH 31, 1988
Mortgages	21	14	15
Promissory Notes	175	3	-
Bank Loans and Lines of Credit	38	22	16
	234	39	31

This does not include guarantees that may be provided by Crown organizations, which are not consolidated in these statements, under their own separate authority.

The Province has provided a guarantee to the purchaser of Flyer Industries Ltd. covering all of the obligations of Manitoba Development Corporation arising out of the sale of Flyer Industries Ltd. including \$53 million of performance bonds on contracts for the supply of buses to various transit organizations.

The Government, including the organizations consolidated in these statements, has been named in approximately 100 legal actions, outstanding at March 31, 1989, which may result in future liabilities. As well, there are approximately 300 other claims outstanding in respect of damages to persons and property and like items. No provision has been made in the accounts at March 31, 1989 as the outcome of these actions and claims is uncertain.

14. PENSION LIABILITY

Legislation requires payment of 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by non-consolidated Government agencies for their employees) and to retired teachers. Such payments are charged to expenses as incurred and no provision is made to fund current or past service obligations of the Government Reporting Entity to the Civil Service Superannuation Fund or the Teachers' Retirement Allowances Fund. The reserves which are presently held in these Funds represent only the employees' obligation towards the total pension liability.

The pension liability for the Government Reporting Entity is:

	(\$ millions)	
	December	
	1988	1987
Civil Service Superannuation Fund:		
Operating Fund	393	346
Crown Organizations	23	20
Government Enterprise	232	207
Teachers Retirement Allowances Fund	597	533
TOTAL	1,245	1,106

An actuarial valuation and report of the Government Reporting Entity's liability to the Civil Service Superannuation Fund was determined as at December 31, 1986. The report also provided a formula to update the liability on an annual basis. In accordance with the formula adopted by the actuary, the Government Reporting Entity's actuarial liability to the Civil Service Superannuation Fund has been calculated on a non-indexed basis. The liability to the Teachers' Retirement Allowances Fund has not been established by an actuarial valuation. The liability is estimated to approximate the reserve which is indexed and held in the Teachers' Retirement Allowances Fund, representing the employees' obligation towards the total pension liability.

15. LEGISLATIVE AUTHORITY FOR BORROWING

Order-in-council 1138/82 authorizes the Minister of Finance to borrow money by the sale of promissory notes or by bank line of credit up to an aggregate amount not exceeding \$350 million at any one time.

Limits established by legislation for borrowing funds are reported here along with information regarding any non-compliance with these limits that may have occurred during the fiscal year.

	(\$ millions)	
	Appropriation Acts	Loan Acts
Incremental Non-Lapsing Authority Provided in 1988 Acts	300	271
Amount Used During the Fiscal Year Ended March 31, 1989	280	18
Available for Future Years	20	253
Unused Borrowing Authority From Prior Years	-	1,617
	20	1,870
Less: Encumbered for Specific Purposes	-	71
Unencumbered Borrowing Authority at March 31, 1989	20	1,799

16. SUBSEQUENT EVENTS

- A. The Government's interest in Manfor Ltd. was sold to Repap Enterprises Inc. as of May 4, 1989.
- B. In June of 1989, some of the shareholders exercised their retraction privilege with respect to preferred shares issued by Manitoba Properties Inc., and retracted (1,068,208 shares at \$25 per share) \$26,705,200.

17. COMPARATIVE FIGURES

Financial Statement figures for 1988 have been developed on a basis consistent with the presentation being adopted for 1989. The Government Enterprise's comparative figures for 1987 were for a nine month period.

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